Global markets are not the answer to food problems

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The Food Crisis has brought a welcome new - or rather revived - acceptance that poor countries should aim to feed themselves. But this may be mostly rhetorical, and policymakers in the major Western powers, at the United Nations and the World Bank perhaps do not realise what a sharp departure it is from the dogma of globalisation.

There has been little re-assessment of the actual policies of globalisation, according to which poor countries were expected to concentrate on producing for world export markets. This applied to food and agriculture as much as anything else. Globalisation dictated that economic development derives from trade, and food security is to be found in global markets.

Poor countries' policies meanwhile were determined globally by the World Bank and the International Monetary Fund (IMF), not nationally. This was because of the leverage acquired by developed countries in the Debt Crisis, starting in August 1982.

How much did those policies actually help poor countries to meet their food needs, or to achieve wider goals of economic development?

The statistics make it clear which parts of the world gained in the years of globalisation (which I define as from 1982 until the Credit Crisis started in August 2007). The winners were rich countries: according to the U.N. Development Programme, 25 of the 30 countries of highest human development were at their richest ever in 2004, as measured by gross domestic product (GDP) per capita. But among the 31 countries classified as of low human development, GDP per capita reached its peak in 2004 in only seven cases. For 12 others it was at its highest in 1983 or earlier – before globalisation set in.

The poor countries that fell behind were dependent on exports of primary commodities and showed a combination of rural poverty with growing imports of food; they were agrarian countries having trouble feeding themselves. And all round the world the people who lost out under globalisation were above all rural and agrarian. The great majority of poor and hungry people live in rural areas and most of them depend on agriculture for their livelihoods. They are subsistence farmers, smallholders, livestock herders, fishing people and landless labourers. Many of the very poorest are women.

The World Bank summarised its free-market development policies in the 1980s with a simple slogan: 'Get the prices right'. But what did it achieve? Let us see what happened to the most important prices for developing countries, which are the international prices of primary commodity exports – the minerals and agricultural crops that they depend upon to make their way in the world.

For my book, *Making Poverty: A History*, I calculated what happened to the prices of several dozen leading commodities between the big commodity price boom of

1978-80 and the recent one, which ended in June 2008. After seeing how much each price had changed on average between the two three-year periods, I adjusted (or 'deflated') them to see how they appeared in relation to export prices of manufactured goods, which developing countries have to import.

The results of this simple exercise were startling.

I found that the commodity price changes fell into four main groups. At the top of the scale, the 'real' prices of two metals roughly doubled over the 30-year period. They were copper (up 103 per cent) and iron ore (up 96 per cent). This is in line with what commodity brokers told us: prices rose due to increased demand, mainly in China, from industrial production and the construction of infrastructure. This was good news for countries which produce copper (like Zambia) or iron ore (like Mauritania), but not for others that wished to pursue China's path to prosperity, requiring the import of copper and iron ore.

The price movements of other metals were very mixed: several fell sharply and no other increased as much as those two.

Revealingly, the next category of real commodity price changes was for the main inputs of 'modern', industrial agriculture. These are:

- crude oil (needed for fuel as well as many fertilisers and agricultural chemicals) – up 59 per cent over the 30-year period;
- phosphate rock, up 46 per cent. Fertiliser prices in general tripled between 2000 and 2009 – a bigger increase than any other commodity group, according to the World Bank's monthly data.

That is not good news for farmers. But worse is to come - especially for those who followed the advice to go all out for exports. The next group of commodity price changes was of **globally traded arable crops, the real prices of which in fact *fell* in real terms over the 30-year period**: maize was down by 25 per cent in relation to prices of manufactures, wheat down 19 per cent, rice down 45 per cent and soya beans down 28 per cent. These prices increased rapidly between 2006 and the first half of 2008; but not enough to make up for their fall in real terms since the 1970s. Producers of these crops had to grow very roughly twice as much as 30 years earlier to obtain a given amount of oil and fertilisers; and about 25 to 70 per cent more for a given amount of manufactured goods.

Little wonder, then, that the Food Crisis brought clashes of protest from urban consumers, not cries of joy from farmers. Yet they are at the heart of the food problem, both as producers and hungry consumers of food.

Not all farmers grow staple cereal crops. Let us look at those export crops which developing countries were urged to cultivate. The real price changes for four of the most important were these:

- Coffee (developing countries' most important export crop): down 63 per cent;
- Cocoa (important for several countries in West Africa): down 65 per cent;

- Sugar (a major export of many countries, from Bangladesh to the Sudan): down 56 per cent;
- Cotton (on which some of the poorest of all, such as Mali and Burkina Faso, depend): down 57 per cent.

This means that the farmers who grow those crops and the countries which export them had to produce 2.5 times as much as 30 years before in order to pay for the same amount of manufactures; around four times as much to pay for the same amount of oil and fertilisers; and five times as much to buy copper or iron ore.

That was the outturn after 25 years of policies that pushed poor countries to open their borders to imports and go all out for exports, in order to get agricultural prices 'right'. It is hard to find any reaction to this other than uncomprehending rage.

As a point of comparison, the world prices of tropical logs pretty well held their own against manufactures, falling just 2 per cent over the same long period. It made more economic sense for tropical countries to chop down their forests and sell the logs than to grow agricultural crops for export.

The proximate cause of the Food Crisis lay in changes on the world's food markets themselves. It is their notorious price volatility which led to hardship in poor countries that rely on food imports. According to a preliminary study undertaken by the Institute of Development Studies at Sussex University early in 2009, those worst affected were urban professional people, who are the most likely to have fixed money incomes. They are also the most articulate and powerful group in most countries.

Farmers were found to be in trouble because of the sharper rise in prices for inputs such as fertilisers. And farmers – let us remind ourselves – include most of the world's poor and hungry people.

The consequence is a worldwide agrarian crisis. This is seen in aging agricultural populations, from Hereford to Nigeria. Young people no longer want to take on the hard grind of agriculture for the low incomes which it everywhere now commands. But if they do not take up this work, who will provide everyone's food?

Under globalisation, most poor countries actually became food importers; in the 1950s and 1960s they had food surpluses. This change was even acceptable, according to the dogma of export orientation: food security was no longer to be achieved through domestic production but by ensuring that a country earned enough foreign currency to pay for food imports.

By May 2009, 77 countries were defined by the Food & Agriculture Organisation as 'Low-Income Food-Deficit Countries': poor countries which import more food than they export. They include nearly 40 per cent of the United Nations' members. In the years of globalisation their food imports grew fast. The countries of Sub-Saharan Africa imported 4.7 million tons of rice in 1990 but 11.4 million in 2005; and 4.6 million tons of wheat in 1990, rising to 14.5 million tons in 2005. Even before the prices went up, it was clear that this level of imports could not be sustained financially by Africa.

But national food reserves were abandoned under IMF pressure, so there was nothing to help on the proverbial rainy day. Interestingly, China retained food stocks and remained careful not to depend on food imports. It did not have to deal with the IMF.

One of the central issues of economic development is for poor countries to get away from dependence on unstable commodity export markets. But **the consequence of globalisation was to make them DOUBLY dependent on commodities - not only for their export income but for the import of staple foods.**

Yet the official discourse of the Food Crisis revolves around the volume of food on world markets. This ignores Amartya Sen's lesson that hunger and famine are related to local access to food, not global production volumes. He won the Nobel Prize in economics for that insight. Trying to resolve the crisis at the level of the world market is to look through the wrong end of the telescope. Individual people and communities are poor or hungry, each in their own way. Enabling them to meet their own needs is the way to resolve the problem. We need to start by seeing who is poor or hungry, where they are and why this is so, and then to determine how to meet their needs locally and regionally.

One other thing is sure: the trend of oil and fertiliser prices shows that replacing individual smallholders with industrial forms of agriculture is not the answer.

We must instead increase the prices paid to *farmers* throughout the world for staple foods. We must end any requirement for export orientation and restore the balance of power on international supply chains. Above all, countries must support domestic food supplies and promote domestic and regional trade, especially in staple foods. The international community needs to put its weight behind these efforts, and acknowledge what damage was done to food security by the export dogma of past years.